

The Actuarial Profession
making financial sense of the future

Pensions conference 2010
Martin W Miles



What do trustees want from their actuary?

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Agenda

- Introduction
- The Trustees' Role
- The Actuary's Role
- So what do Trustees want from their Actuary (personal qualities, technical skills, etc)?
- Funding Valuations
- Misconceptions
- Compliance and Complaints
- Summary

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Profile : Martin W Miles



- 2009: Director of Independent Trustee Services Limited
- Previously: Buck Consultants, Bacon & Woodrow and PWC as actuary advising trustees, employers and regulators

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The Trustees' Role (1)

- Run the pension scheme in accordance with trust deed
- Endeavour to deliver benefits, promises / entitlements
- Work closely with employers, challenging where necessary
- Manage and mitigate risks of benefits not being paid
- Seek advice as needed
- Make decisions

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The Trustees' Role (2)

The role of the Independent Trustee

- Work with co-trustees and add experience to the Trustee Board
- Bring the confidence of impartiality to scheme members
- Manage situations of actual or potential conflicts of interest
- Understand agendas of competing stakeholders - employer, banks, shareholders, unions
- Engage with and (if necessary) challenge advisers

The Actuary's Role

- Scheme Actuary
- Actuarial advisory role
- Pensions advisory role

So what do Trustees want from their Actuary?

- What personal / team qualities?
- What technical skills?
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- What irritates Trustees?

What do Trustees want from their Actuary?

Personal / team qualities

What do Trustees want from their Actuary?

Technical skills

What do Trustees want from their Actuary?

What irritates Trustees?

Funding Valuations

Processes and Assumptions

- Focus on the essentials, not the paperwork
 - What order of magnitude is the deficit?
 - How can we recover or secure the debt?
 - What can the employer afford?
- Difficult for Trustees to assess prudence without some feel of “best estimate”
- Don’t get too bogged down with mortality
- Firm-wide ban of use of word “cohort”?

Misconceptions and Debatable Advice

- “Avoiding insolvency protects jobs”
- Failure to understand current pensions environment
- Example:
 - members take enhanced pension instead of redundancy pay
 - member exchanges own pension for larger spouse’s pension
 - actuary advises on figures with no reference to company’s financial strength

Technical Standards / Compliance / Complaints

- BAS TAS
- Compliance is your concern. It should not get in the way of sound, commercial advice
- Formal complaints from Trustees
 - 2004-06 10 complaints
 - 2007-09 1 complaint
- Trustees have other ways of showing dissatisfaction!
- Little evidence of serious concerns (but beware complacency)

What do Trustees want from their Actuary?

Summary:

- Professional competence
- Commercial awareness
- Ongoing two-way relationship
- Speak English

Martin Miles
Independent Trustee Services Limited

